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## Controller Reaches Settlement with Prudential Insurance

*Life Insurance Benefits to be paid to Families of Deceased Policyholders*

**SACRAMENTO** – State Controller John Chiang today announced a major [multi-state settlement](#) with Prudential Insurance Company of America, which, depending on the completion of the audit, may return up to \$20 million to the families of deceased life insurance policyholders in California.

"For decades, the surviving families of policyholders have been cheated by life insurance companies who either knew or should have known that payout was due," said Chiang. "I will continue to work with the industry to improve their practices, but I reserve the right to use the full force of my office – including litigation – to compel insurance companies to follow the law and take care of life insurance beneficiaries."

The Controller took the lead in negotiating the settlement, which 18 other states subsequently joined. Chiang reached a similar agreement with insurer John Hancock in April 2011.

Both settlements stem from a 21-company audit Controller Chiang initiated in 2008 to determine the insurance industry's compliance with state unclaimed property laws.

Administered by the Controller, the California unclaimed property program generally provides that businesses must send lost or abandoned financial accounts to the State after three years of inactivity in order to safeguard private property from being lost during mergers or bankruptcies, drawn down by service or storage fees, or simply used by private interests.

The audit revealed an industry-wide practice of companies failing to pay death benefits to the beneficiaries of life insurance policies. Instead, companies would draw-down the policies' cash reserves in order to continue collecting premium payments from the deceased. Once the cash reserves were depleted, the company would cancel the policy. The audits also found that insurers did not routinely cross-check the owners of dormant accounts with the Social Security Administration's Death Master File and other government databases listing deceased individuals. In other cases, the company had direct knowledge of the death of a policy owner, but still did not notify the beneficiaries.

So far, more than 1,000 Prudential policies have been identified as being held for individuals in California who have been dead for more than 15 years. The average cash value of the policies is about \$2,000.

Today's settlement requires Prudential Financial Inc., and its predecessors and subsidiaries (Prudential Insurance Company of America, Pruco Life Insurance

Company, Pruco Life Insurance Company of New Jersey, Prudential Retirement Insurance and Annuity Company, and Prudential Annuities Life Assurance Corporation, formerly known as America Skandia Life Assurance Corporation) to do the following:

- Restore the full value of impacted accounts;
- Fully comply with California's unclaimed property laws and cooperate with the Controller's efforts to reunite millions of dollars in death benefits and matured annuities with their owners or, in many cases, the owners' heirs;
- Pay the State of California three percent compounded interest on the value of the held amounts from 1995, or from the date of the owner's death, whichever is later, for failure to comply with unclaimed property laws.

Other states signing the settlement are: Colorado, District of Columbia, Idaho, Louisiana, Maine, Maryland, Massachusetts, Mississippi, Montana, Nebraska, North Dakota, Oregon, Pennsylvania, South Dakota, Tennessee, Utah, Vermont, Washington and Wisconsin.

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